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Approved For Release 2002/08/20 : CIA-RDP68B00724R000100100016-3

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2924-66
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22 December 1966

MEMORANDUM FOR: Comptroller, OSA

SUBJECT : Contract No. WM-66
Lockheed Aircraft Corporation

REFERENCE : Funding of FY-66 and Prior Year Contracts

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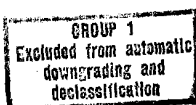
1. Contract No. WM-66 was not included in the reference listing for the following reason.

The Contract was let with LAC on a composite funding basis with no breakdown of funding by Program or by Category. It was understood at the time that if any or all of the Programs, i.e., KEDLOCK, TAGBOARD or EARNING exceeded their approved budgets, that OXCART would cover the overages or be the "swing account". From the standpoint of the Contract there was a total lump sum of money available, but for record and future budget purposes only, the Contractor was requested to submit a monthly funding status report by Program and by Category. The LAC composite forecast for the last three months is as follows:

Sept.		deficit
Oct.		surplus
Nov.		surplus

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The Company stated in their report of 15 December 1966 as follows: "As we have previously indicated, we are still hopeful that our final expenditures will fall within the present Contract WM-66 funding. While the present report figures continue to support this hope, you should recognize that the estimated value of commitments and obligations, subject to change, are still significant. Included in this report is a labor rate adjustment to the Categories I and VI effort which lowered the cumulative expenditures to date in these Categories. However, we anticipate further labor rate adjustments which may increase the expenditure in other Categories."



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2. The "tighter budget" under which [] NRO Comptroller now has to operate as well as the individual Budget Officers for KED/TAG/EARN prompt us to write this memorandum as a matter of record. From the contractual standpoint LAC is fully funded and showing a surplus which is within the intent and terms of the Contract. However, from a program standpoint there presently appears to be surplus and deficits. The 27 November 1966 report indicates the following:

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	<u>OXC</u>	<u>KED</u>	<u>TAG</u>	<u>EARN</u>	<u>Total Contract</u>
Sept. 66	[]				
Oct. 66					
Nov. 66					

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The Contractor indicates that by approximately 30 June 1968 the "gap" between expenditures and LAC forecast [] will be minimized and a more accurate surplus or deficit can be predicted. This refined prediction, of course, is subject to further adjustment as a result of cost audit and settlements. It appears the latter will not be accomplished until the summer of 1968.

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3. In view of the above, it was not felt that a realistic forecast of the deficit or surplus for the Contract could be made when the reference was submitted. It appears that OXC will not have a deficit if the original Contract intent is maintained; however, it is felt that a decision should be received from [] as to whether the total funding concept is still applicable or whether each program must now stand on its own.

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Chief, Contracts Management Division, OSA

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